

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation, and
Related Issues.

Rulemaking 13-11-005
(Filed November 14, 2013)

**REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY
(U 904 G) ON PROPOSED DECISION PROVIDING GUIDANCE FOR INITIAL
ENERGY EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN FILINGS**

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Pursuant to Rule 14.3 of the CPUC Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) submits Reply Comments on the Proposed Decision (PD) in the above captioned proceeding.

I. INTRODUCTION

SoCalGas urges the CPUC not to adopt the PD as written, but instead adopt necessary and substantial modifications suggested herein for the benefit of the continued success of California's energy efficiency (EE) programs. SoCalGas highlights the key reasons why the PD must be modified:

- A single program administrator (PA) model for statewide programs will not achieve the efficiency and effectiveness sought by the CPUC and required by the Public Utilities Code;
- The proposed third party definition will reduce innovation in the EE industry, contrary to the CPUC's desired outcome;
- The proposed statewide program list circumvents the CPUC's established EE business planning process, and instead should defer the business planning process;
- The industry standard practice baseline approach for the industrial sector will create significant EE lost opportunities and hinder meeting the goals of Senate Bill (SB) 350; and
- Gross energy savings goals and reporting should be maintained to reach legislative mandates.

While SoCalGas is supportive of the CPUC's EE goals, the CPUC is embarking on the wrong course — one that will fuel customer confusion, create market inefficiencies, and will likely lead to higher costs and lower quality programs. The CPUC lacks sufficient evidence to support the need for a radical departure from a current EE structure that is producing proven results. If the CPUC is intent on taking a drastic policy shift, it should take a more measured and prudent approach from the onset and adopt limited pilots to test the viability of this alternate EE paradigm. That way, EE will continue to

produce results over the pilot period while the CPUC collects the data it needs to make a more informed decision.

II. RESPONSE TO PARTIES' COMMENTS

A. Program Design Needs PAs for Successful Portfolio Design and Management

Various parties support the notion that the PA should continue to be involved with program design.¹ Nexant suggests that the CPUC should leave flexibility for greater coordination between implementers and PAs on opportunities related to program design and customer strategy and engagement.² SoCalGas supports this notion that program design is an essential component of successful portfolio design and management. The CPUC also understands this need for PA flexibility, as stated in Decision (D.) 15-10-028: "Likewise, if a market opportunity is revealed mid-stream of implementation, it is not the Commission's intent to stifle action. In fact that is exactly what EM&V results and the rolling portfolio process should enable."³ To enable such portfolio flexibility, the PAs need the ability to redirect and/or modify program design as part of the PA's responsibilities. It is impractical to exclude the PAs from guiding and influencing program design as part of the third party program solicitation process. The CPUC should modify the third party program definition to recognize the PA's role in program design and strategy as part of its program choice and management responsibilities.

B. It Is Premature To Transition EE Downstream Program Offerings to a Statewide Program Administration Model

SoCalGas shares California Energy Efficiency Industry Council's (CEEIC's) reservations regarding the transition of EE downstream programs to a statewide program administration and implementation model.⁴ CEEIC expressed concern with the ability to smoothly transition a significant volume of EE programs and indicated that there will be a severe disruption in progress toward EE goals.⁵ Moreover, CEEIC believes it represents a grand undertaking with little foundation.⁶ SoCalGas agrees. Downstream programs, both residential and nonresidential, require a level of interaction with customers that a utility is best positioned to fulfill. They also require a significant amount of coordination with back office operations (e.g., customer payments, inspections, customer data sharing,

¹ Pacific Gas and Electric Company (PG&E) Opening Comments, p. 6; Nexant Opening Comments, p. 3; Southern California Edison Company (SCE) Opening Comments, p.3.

² Nexant Opening Comments, p. 3.

³ D.15-10-028, p. 86.

⁴ CEEIC Opening Comments, p. 13.

⁵ *Id.*

⁶ *Id.*

etc.) and coordination with other program offerings (e.g., audits, outreach, etc.). These are substantial challenges which may not result in the desired outcome postulated by the PD. Thus, SoCalGas recommends that the Final Decision exclude any downstream program (i.e., rebates provided to customers) from a statewide PA approach, as the local utility is best positioned to implement those offerings. Instead, SoCalGas recommends the CPUC pilot the statewide program administration model on midstream/upstream program offerings, with the modifications, including maintaining individual IOU program choice, recommended by SoCalGas in this proceeding.

SoCalGas is also concerned that the PD would jeopardize its ability to maintain its existing partnership with municipal and publically owned utilities, water agencies, and air quality districts, that currently focus on many of the programs that are proffered to be candidates for statewide program administration in the PD. These localized partnerships are highly successful, and substantially broaden the impact of SoCalGas' EE programs. The PD should be modified to recognize the need for local variability of "statewide" programs in order to meet jurisdictional nuances and customer diversity.

C. The PD Should Treat All Baseline Issues Consistently

As stated in Opening Comments, SoCalGas strongly disagrees with the PD's position that the existing conditions baseline does not apply to the industrial sector.⁷ Further, SoCalGas agrees with SCE and CEEIC that the existing conditions baseline update should apply uniformly to the agricultural sector as well.⁸ The PD points out that most parties agree that the default existing conditions baseline authorized by Assembly Bill (AB) 802 is applicable to these sectors, but the Energy Division (ED) continues to recommend this exclusion.⁹ To achieve the aggressive EE goals set by SB 350, PAs will need to leverage the significant savings in the industrial and agricultural sectors. SoCalGas supports SCE's proposal: "consistent with AB 802, the 'default' baseline in the Baseline Table should be 'Existing,' with the only exception being that New Construction should utilize 'Code' or 'Industry Standard Practice' depending upon whether Energy Codes regulate a specific type of project."¹⁰

D. All EE Savings Must Be Recognized in any Codes and Standards Change

The PD proposes to remove energy savings associated with codes and standards (C&S) from the EE goals and reported program results to avoid the potential of double-counting the same EE savings.

⁷ SoCalGas Opening Comments, p. 11.

⁸ SCE Opening Comments, p. 9; CEEIC Opening Comments, p. 2.

⁹ PD, p. 35.

¹⁰ SCE Opening Comments, p. 9.

However, multiple parties object to this approach.¹¹ CEEIC believes the CPUC should continue setting demand and energy savings goals for the entire portfolio – including C&S – and address double counting of C&S advocacy by subtracting the “to-code” savings component of voluntary program impacts out of the attributed C&S program impacts where existing baselines are used.¹² SoCalGas supports the continuation of C&S advocacy savings within the portfolio and supports CEEIC’s approach to adjusting the C&S program impacts as presented.

E. Having Both a Peer Review Group and an Independent Evaluator to Oversee EE PA Program Solicitations and Selections Is Overly Burdensome and Unnecessary

Current CPUC policy requires the investor-owned utilities (IOUs) to select peer review group (PRG) members to serve as peer reviewers to the IOUs’ solicitation and selection of third party EE program implementers. The current process assigns the ED as the chair with an active role to hire independent consultants to assist the ED in its assessment of the program solicitation process. The Office of Ratepayer Advocates (ORA) proposes to modify this process by replacing the ED with an independent evaluator to evaluate the reasonableness and fairness of the bid solicitation and evaluation processes.¹³ The proposed process change is redundant to the current process as the PRG members are tasked with the same responsibilities; as such, it should be ignored.

F. Approval of Lead PA for Statewide Programs Should Be Confirmed by the CPUC as Part of the Approved Business Plan

The PD proposes to direct the PAs to identify, as part of their upcoming business plan application, the lead PA for various statewide programs. ORA recommends that the PAs be required to file an Advice Letter to allow the ED to review and adjust prior to the PA’s business plan applications before the CPUC.¹⁴ Alternatively, PG&E proposes a dispute resolution process that extends decision-making authority to the ED staff to select a statewide PA lead.¹⁵ In D.15-10-028, the CPUC established the California EE Coordinating Committee (CAEECC) to offer recommendations to the PAs, but not to reach consensus with the PAs, in all cases. Both ORA’s and PG&E’s proposed processes are unnecessary as they would add to the potential for regulatory delays and circumvent the CPUC’s approval process by shifting responsibility to the ED staff. Therefore, a dispute resolution process is

¹¹ CEEIC Opening Comments, p. 6; Natural Resources Defense Council Opening Comments, p. 2; PG&E Opening Comments, p. 7; SCE Opening Comments, p. 11; Energy Solutions Opening Comments, p. 7.

¹² CEEIC Opening Comments, p. 5.

¹³ ORA Opening Comments, p. 4.

¹⁴ ORA Opening Comments, p. 6.

¹⁵ PG&E Opening Comments, p. 3.

unwarranted. The CPUC should confirm the final statewide PA leads, while maintaining customer choice for all PAs, as part of its approval of the PA's business planning application, as recommended in the PD.

G. LGSEC Incorrectly Assumes a Program Administrator Role Will Be Effective for Local Government Partnership Programs

The PD indicates its interest in a potential statewide implementer for local government partnerships (LGP) proffered by LGSEC in its comments to the *Ruling of Assigned Commissioner and Administrative Law Judge Seeking Input on Approaches for Statewide and Third-Party Programs* (Ruling).¹⁶ The PD recommends the PAs consider such a statewide model as part of its upcoming business plan application. However, LGSEC in its comments incorrectly assumes a PA role by offering to file a business plan detailing its plan for statewide implementation of LGPs. As stated in previous SoCalGas comments to the Ruling, a statewide approach to local offerings in itself is a contradiction.¹⁷ Due to the unique characteristics and needs among all local governments within the IOU service territories, there are no apparent synergies to leverage on a statewide basis beyond the current coordination among PAs. The proposed statewide model would create greater inefficiencies as it would only act as a fund manager to the local government requiring unnecessary movement of EE funds across the state. The CPUC should remove the requirement to consider statewide implementation of local governments or until such time as the statewide model proves more effective and efficient than the current administrative structure.

Respectfully submitted on behalf of SoCalGas,

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¹⁶ PD at 53.

¹⁷ Reply Comments of SoCalGas on Ruling, p. 5.